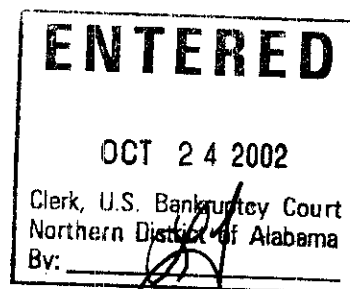


IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF ALABAMA  
SOUTHERN DIVISION



In re

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Chapter 11

MEADOWCRAFT, INC.,

Case No. 02-06910-TOM-11

Debtor.

**INTERIM ORDER AUTHORIZING DEBTOR TO ENTER INTO  
POST-PETITION FACTORING AGREEMENT  
WITH SUNTRUST BANK AND SCHEDULING FINAL HEARING**

This matter came before the Court on the Motion Pursuant to 11 U.S.C. §§ 363(b), 364(c) and (d) to Approve Factoring Agreement and to Permit Setoff (the "Motion") filed by Meadowcraft, Inc., debtor and debtor-in-possession (the "Debtor"). Based upon the pleadings of records, the arguments and representations of counsel, all other matters brought before the Court, and for good and sufficient cause shown, the Court hereby finds:

a. The Motion has been served by U.S. Mail on the creditors and parties set forth in the Certificate of Service filed on October 23, 2002.

b. Notice of the hearing on the Motion has been given by facsimile or overnight mail to the creditors and parties set forth in the Certificate of Service filed on October 23, 2002.

c. Due to the exigent circumstances, good and sufficient notice of the hearing and relief requested has been given.

d. On September 3, 2002 (the "Petition Date"), the Debtor filed with the Court a voluntary petition for relief pursuant to chapter 11 of the Bankruptcy Code (the "Bankruptcy Case"). No trustee or examiner has been appointed in the Bankruptcy Case. Pursuant to Sections 1107(a)

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and 1108 of the Bankruptcy Code, the Debtor is authorized to continue in the operation of its business and management of its properties as debtor-in-possession.

e. This Court has jurisdiction over the Bankruptcy Case and the Motion pursuant to 28 U.S.C. §§ 157(b) and 1334. Consideration of the Motion constitutes a core proceeding as defined in 28 U.S.C. § 157(b)(2).

f. The factoring agreement described in the Motion (the “Factoring Agreement”) with SunTrust Bank (“SunTrust”) is consistent with the relief sought in the Motion For Interim Order And Final Order (A) Approving Proposed Debtor-In-Possession Credit Agreement; (B) Authorizing Post-Petition Secured Financing Pursuant To 11 U.S.C. § 363 And § 364 And Bankruptcy Rule 4001(C); And (C) Approving And Authorizing Proposed Agreements Related To Credit Support Providers (the “DIP Financing Motion”).

g. Factoring certain accounts of the Debtor will increase the Debtor’s borrowing base under the Amended and Restated Debtor-In-Possession Loan and Security Agreements dated as of September 20, 2002 (the “DIP Credit Agreement”) entered into by and among the Debtor and certain lenders (as set forth in the DIP Financing Motion, the “Revolving Lenders”). By increasing its borrowing base, the Debtor may obtain the funds necessary to purchase new inventory, pay employees, and otherwise to finance its operations.

h. Pursuant to that certain Factor Intercreditor Agreement (as defined in the DIP Credit Agreement), the Revolving Lenders will agree to subordinate any and all liens on accounts purchased by SunTrust from the Debtor (the “Purchased Accounts”) to SunTrust.

i. The Factoring Agreement is the product of arms-length negotiations. The execution, delivery, performance and payment of the Factoring Agreement have been duly authorized by all necessary corporate or other action on behalf of the Debtor, and the parties to the Factoring

Agreement has entered into the Factoring Agreement in good faith, as the term “good faith” is used in § 364(e).

j. Based on the record before this Court, the terms of the Factoring Agreement are fair and reasonable, reflect the Debtor’s exercise of prudent business judgment consistent with its fiduciary duties, and are supported by reasonably equivalent value and fair consideration.

k. The Debtor has requested immediate entry of this Order pursuant to Bankruptcy Rule 4001(c)(2). The permission granted herein to enter into the Factoring Agreement is necessary to avoid immediate and irreparable harm to the Debtor. This Court concludes that entry of this Order is in the best interest of the Debtor’s estate and creditors as its implementation will, among other things, help to increase the Debtor’s working capital in order to sustain the operations of the Debtor’s existing business and enhance the Debtor’s prospects for a successful reorganization.

k. SunTrust has a valid and enforceable set-off against all collected but unpaid pre-petition accounts receivable with respect to \$13,566.12 in unpaid pre-petition fees.

Based upon the foregoing findings and conclusions, and upon the record made before this Court, and good and sufficient cause appearing therefore,

**IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:**

1. Subject to the terms of this Order, the Motion is granted and the Debtor’s entry into the Factoring Agreement and related documents is hereby approved.

2. The Debtor is expressly authorized to enter into the Factoring Agreement and any related documents on the terms and conditions set forth in the Motion, the Factoring Agreement, and this Order.

3. The Debtor is hereby authorized and directed to grant liens on the Purchased Accounts to SunTrust. SunTrust is hereby decreed and adjudged to be secured by duly perfected,

non-voidable, first priority liens and security interest in the Purchased Accounts acquired by SunTrust. The liens and security interests, whether now owned or hereafter acquired, and wherever located, including all proceeds and products thereof, together with such additional collateral as is granted in the Factoring Agreement, ranks senior and prior in all respects to all other liens, security interests, claims or encumbrances at any time existing or arising which may be asserted by any person or entity pursuant to statute, lease, mortgage, deed of trust, security agreement, indenture or other contract or otherwise. No other claims, liens or security interests shall attach to the Purchased Accounts in this or any subsequent proceeding under the Bankruptcy Code.

4. Notwithstanding any provision of this Order or the orders granting the DIP Motion to the contrary, all liens on the Purchased Accounts shall be subject and subordinate to SunTrust, as the case may be, pursuant to the terms of the Factor Intercreditor Agreements.

5. All liens and security interests on or in any of the Purchased Accounts shall be, and they hereby are, deemed duly perfected and recorded under all applicable federal or state or other laws as of the date hereof, and no notice, filing, possession, further order or other act, shall be required to effect such perfection during this Bankruptcy Case or after conversion or dismissal of this Bankruptcy Case; provided, however, that notwithstanding the provisions of § 362, (i) SunTrust may, at its sole option, file or record or cause the Debtor to execute, file or record such Uniform Commercial Code ("UCC") financing statements, notices of liens and security interests, and other similar documents as SunTrust may reasonably require and (ii) either SunTrust may require the Debtor to deliver to SunTrust any instruments or securities evidencing or constituting a lien on Purchased Accounts and the Debtor is directed to cooperate and comply therewith. If SunTrust, in its sole discretion, elects for any reason to file or record any such notices, financing statements, mortgages, or other documents with respect to such security interests and liens, or if SunTrust in its

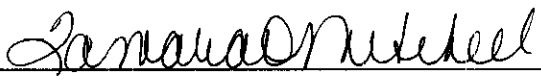
sole discretion, shall elect to take possession of its collateral, all such financing statements or similar documents or taking possession shall be deemed to have perfected such liens and security interests granted or recorded or taken in the Bankruptcy Case as of the commencement of such case but with the priorities as set forth herein.

6. A final hearing to consider the Motion will be held on December 3, 2002 at 1:30 p.m. before the undersigned Bankruptcy Judge, courtroom number 2, United States Bankruptcy Court, 1800 5<sup>th</sup> Avenue North, Robert S. Vance Federal Building, Birmingham, Alabama.

7. Notwithstanding anything to the contrary in this Order, this Order is without prejudice to the rights of the Official Committee of Unsecured Creditors to object to the relief requested in the Motion prior to the final hearing on the Motion.

8. This Court retains and reserves jurisdiction to enforce all provisions of this Order.

DONE this 23<sup>rd</sup> day of October \_\_\_\_\_, 2002

  
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TAMARA O. MITCHELL  
UNITED STATES BANKRUPTCY JUDGE